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SIPDIS

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FOR SECRETARY PETERS AND DELEGATION

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SUBJECT: SCENESETTER: SPAIN WELCOMES SECRETARY PETERS

**¶11.** (SBU) I welcome you to Spain on behalf of our 362 American and Spanish colleagues serving the United States at Mission Spain. Your visit comes just three months before the general elections, an exciting time for the country in what appears will be a very close race between incumbent President Zapatero and opposition party leader Mariano Rajoy. The U.S. relationship with Spain is an important one, and we frequently partner with Spain on issues of counter-terrorism, law enforcement and multilateral policy. Fueled by a growing economy as well as by support from the EU, Spain has undergone a rapid infrastructure modernization process over the past two decades. Now the ninth largest economy in the world, Spain's ties to the U.S. continue to grow particularly as more Spanish businesses "rediscover" America. Your visit is an important one and will help to promote our bilateral relationship. I hope you and your delegation will enjoy your visit.

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THE POLITICAL ENVIRONMENT  
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**¶12.** (SBU) We currently enjoy a strong relationship with Spain, partnering on various transformational diplomacy objectives despite some differences in policies (such as on Cuba). This strong institutional relationship has resulted from sustained efforts to reinforce ties that were temporarily strained in 2004 when Spain abruptly removed its troops from Iraq. We enjoy excellent cooperation in areas such as counter-terrorism, counter-narcotics, military and defense programs, Latin America, North Africa, and many others. Spain is an important NATO ally, a key player in the European Union and currently holds the rotating presidency of the Organization for Security and Cooperation in Europe (OSCE). It is involved in long-term commitments to NATO's mission in Afghanistan, to Lebanon where it leads a multi-national brigade of UN peacekeeping forces (UNIFIL), and to Iraq where it continues to support efforts through significant financial contributions. Spain further demonstrates itself to be an important partner to the U.S. by allowing the U.S to share the Spanish bases of Rota and Moron, strategic hubs for moving men and materiel into Iraq and Afghanistan.

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ELECTIONS  
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**¶13.** (SBU) President Zapatero will face reelection in March, 2008. His governing Spanish Socialist Workers' Party (PSOE) currently holds control of the Parliament and several local and regional governments. The opposition conservative People's Party (PP) holds several municipal and regional

governments, including those of the city and region of Madrid. Many local pundits are predicting the re-election by a small margin of Zapatero over PP candidate Mariano Rajoy, though Spanish voters often make up their minds just before elections. Should Zapatero win re-election, he will remain the leader with the most seniority among the EU's big five (UK, France, Germany, Italy, Spain).

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#### ECONOMIC ENVIRONMENT

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**¶4.** (U) The economy has grown in each of the last 15 years, and the Spanish are blessed with the world's ninth largest economy and per capita income levels have reached the EU average. Structural reforms, EU aid, and membership in the Euro zone have greatly contributed to this growth. A recent housing boom has further boosted Spain's economic position, but as elections approach, housing prices are stagnating, construction is slowing, and unemployment and inflation are starting to creep up.

**¶5.** (U) U.S. investment has long been important to the Spanish economy (more so than bilateral trade). U.S. subsidiaries in Spain generate approximately 7 percent of the country's GDP and U.S. portfolio investment may account for up to 20 percent of large companies' market capitalization. The tables have recently turned as Spanish investors are "rediscovering" America. So far this year Spain has been the fourth largest foreign investor in the U.S., with particular emphasis in banking, construction and renewable energy. Spanish construction companies have won important contracts in the U.S., though U.S. firms have not been as successful here.

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#### TRANSPORTATION INFRASTRUCTURE

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**¶6.** (U) Spain boasts a robust transportation infrastructure with over 50 international maritime ports, 47 airports, and an extensive road and highway system. Subway systems exist in five Spanish cities: Madrid, Barcelona, Bilbao, Valencia, and Palma de Mallorca, and are also being constructed in Alicante, Seville, Malaga, and Granada.

**¶7.** (U) Transportation infrastructure investments are largely guided by Spain's "Infrastructure and Transport Plan 2005-2020" which foresees a total public and private investment of 250 billion euros (about \$370 million) over 15 years. The plan anticipates that by 2020 94 percent of the country's population will be within 30 kilometers of a highway and that 90 percent will have access to a high-speed rail connection within 50 kilometers of their homes. The central, regional, and local governments all invest in Spain's transportation network and often contract out highway or subway expansions to private firms who subsequently charge user fees.

**¶8.** (U) The government places a large focus on expanding its railway network, particularly its high-speed AVE train network. This emphasis has been partially fueled by Spain's desire to reduce high levels of CO2 emissions caused by private vehicles and to improve Spain's transport competitiveness within the EU. Each year the GOS slates roughly 50 percent of its infrastructure funding to the railways for a net amount of over 8 billion euros per year. High speed AVE lines connect Madrid to Toledo, Madrid to Seville and Madrid to Tarragon. Future AVE projects are slated to link a number of cities, and to eventually link Spain with Portugal and France.

**¶9.** (SBU) The long-delayed construction of an AVE line from Madrid to Barcelona has become a contentious issue in the current political arena. As a culmination to various problems, three of Barcelona's six local commuter lines were shut down in October as a result of recurring landslides caused by the AVE's construction, greatly inconveniencing

over 150,000 local commuters. President Zapatero eventually acknowledged that the arrival of the AVE to Barcelona, which he had repeatedly confirmed would happen by December 21, would not be finished before the March 2008 general elections. Catalan regional anger over the AVE and other infrastructure problems may complicate the Socialists prospects in Catalonia for the national elections. On November 16, the regional Catalan regional legislature voted for the resignation of Minister of Infrastructure and Public Works Magdalena Alvarez.

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BIO INFORMATION  
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¶10. (SBU) During your visit, you will be meeting with the Minister of Infrastructure and Public Works Magdalena Alvarez and Madrid Mayor Alberto Ruiz-Gallardon.

-(SBU) Minister Magdalena Alvarez: Minister Magdalena Alvarez was appointed Minister of Infrastructure and Public Works by President Zapatero in April, 2004 when President Zapatero took office. Minister Alvarez obtained a Bachelor's degree and a doctorate in Economic and Business sciences from the prestigious Complutense University in Madrid. She spent a large portion of her career teaching in higher education and served for a period of time as an economics and finance advisor for the regional government of Andalusia. In 2000, Minister Alvarez was elected to the regional legislature of Andalusia representing the province of Malaga. She headed the Socialists' list for Malaga province in the 2004 general election and was subsequently elected to the Spanish national legislature in March 2004. She was selected to be Minister of Infrastructure and Public Works soon after, with purview over road, air, and sea transport as well as postal and telegraph services and the national geographic institute. Although Minister Alvarez understands English, she feels more comfortable using an interpreter.

-(SBU) Mayor Alberto Ruiz-Gallardon: Hailing from a prominent family with historical political ties, Mayor Alberto Ruiz-Gallardon is a leading figure in the conservative People's Party. He was elected mayor of Madrid in 2003 after holding various other political positions including as the spokesperson for his party (1987-1995) and the President of the Autonomous Community of Madrid (1995-2003). Ruiz-Gallardon is viewed as potential future presidential candidate. His public aspirations for this position at times have been the cause for tensions within his party and with current PP presidential candidate, Mariano Rajoy. Ruiz-Gallardon holds a degree in law. He speaks some English but prefers to use an interpreter.

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Security Assessment  
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¶11. (U) In general, Spain is safe. However, Madrid and other large cities attract a large number of criminals and pickpockets and frequent incidents of crime of opportunity against the unwary do occur. It is best to carry only essential items, including a photocopy of your passport's photo page. Visitors can protect themselves by being street-smart, alert, and aware of their surroundings. Additional information regarding safety and security is available on the U.S. Department of State's website ([www.embusa.gov](http://www.embusa.gov)).

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